

BUDGET LETTER

SUBJECT: CONTROL SECTION 3.60	NUMBER: 05-25
REFERENCES:	DATE ISSUED: September 2, 2005
	SUPERSEDES: BL 04-29

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Note: Please forward a copy of this budget letter (BL) to your department's/Agency's Personnel and Labor Relations Officers.

This BL provides budget development instructions for the 2005-06 employer retirement rate adjustments.

A. Background—Control Section 3.60

Retirement Rates Have Changed

Through Control Section 3.60, the Legislature adopted new employer retirement contribution rates that are not yet reflected in individual departmental base budgets. Pursuant to Control Section 3.60(a), **departmental appropriations will be adjusted** to accommodate the State employer's share of new retirement costs through the Budget Executive Order process.

Due Dates

Departments are required to return all attachments and related supporting documentation to their respective Department of Finance (Finance) Budget Analyst as soon as possible, but **no later than Friday, October 14, 2005.**

A Note About Pension Obligation Bonds

The 2005 Budget Act anticipates the issuance of pension obligation bonds to satisfy a portion of the state's 2005-06 retirement contributions. All transactions for the pension obligation bonds will be at the statewide level and will not affect individual department budgets. Departments will continue to be assessed a retirement charge through the payroll system. The amounts collected from the General Fund will be abated to the General Fund through a statewide item; some of the amounts collected from other funds will be transferred to the General Fund and all future debt service obligations for the pension obligation bonds will be incurred by the General Fund.

The following table displays the 2004-05 and 2005-06 retirement rates:

-A-	-B-	-C-
Retirement Category	2004-05 Retirement Rates	2005-06 Retirement Rates
Miscellaneous, First Tier	17.022%	15.942%
Miscellaneous, Second Tier	13.216%	15.890%
State Industrial	16.386%	17.147%
State Safety	20.773%	19.026%
Highway Patrol	34.434%	26.396%
Peace Officer/Firefighter	23.841%	23.563%

B. Instructions

To request funding for eligible adjustments, all departments should complete and submit Attachments II, III, IV, and V to their respective Finance Budget Analyst. The information is necessary to support the funding request and to provide the necessary scheduling information to process the Budget Executive Order. Refer to the following attachments to determine appropriate adjustments and to prepare departmental funding requests:

- Attachment I, **Treatment of Budget Documents**
- Attachment II, **2005-06 Annual Salary Base Worksheet**
- Attachment III, **Employer Retirement Rate Contribution Adjustment Worksheet**
- Attachment IV, **Planning Estimate Adjustment Summary**
- Attachment V, **Control Section 3.60 Scheduling Worksheet**

Attachment I, Treatment of Budget Documents

Attachment I provides instructions on how to post retirement adjustments to the Planning Estimates and Schedule 10s. The attachment also explains how the retirement adjustments will be displayed in the Detail of Appropriations and Adjustments (Reconciliation with Appropriations).

Attachment II, 2005-06 Annual Salary Base Worksheet

Since the retirement contribution amount is calculated based upon the 2005-06 salary base, the salary base must be updated for the few general salary increases effective July 1, 2005. In Column B (Budget Act Annual Salary Base) use the Totals, Authorized Positions less Temporary Help and Overtime from the Salaries and Wages Supplement (Schedule 7A), segregate amounts by retirement plan and by bargaining unit. The attachment will automatically calculate a new salary base that will include the new general salary increases for units 5, 6, and 9. No other salary increases are included.

Attachment III, Employer Retirement Rate Contribution Adjustment Worksheet

Except for the Salary Savings Rate and the Fund Split, all cells are formula driven. For the Salary Savings Rate, use the 2005-06 budgeted salary savings rate included in the first pass of the Budget Galley.

Attachment IV, Planning Estimate Adjustment Summary

Split the amounts shown on Attachment III, Employer Retirement Rate Contribution Adjustment Worksheet by item of appropriation.

Attachment V, Control Section 3.60 Scheduling Worksheet

Provide scheduling information for all adjustments. The total on Attachment V, Control Section 3.60 Scheduling Worksheet must tie to the total on Attachment IV, Planning Estimate Adjustment Summary.

C. Treatment of Budget Documents

Departments will use the Employer Retirement Rate Contribution Adjustment Worksheet (Attachment III) to calculate the required budget adjustment. Budget staff of the affected departments and their respective Finance Budget Analysts will make the necessary adjustments to the 2005-06 and 2006-07 budget documents to reflect the retirement rate adjustments identified on Attachment III. These include adjustments to the Planning Estimates, Supplementary Schedule of Appropriations (Schedule 10s), the Governor's Budget (Expenditures by Category (Summary by Object), etc.), and Supplementary Schedules.

See Attachment I, (pages 1 and 2), of this BL for instructions on the treatment of budget documents.

Departments must use the retirement rates in Column C on the previous table in any Budget Change Proposal submitted to Finance, whether for the current year (2005-06) or the budget year (2006-07).

D. Additional Information

Please direct your questions to the following:

- Treatment of budget documents should be directed to your Finance Budget Analyst.
- Technical guidance on this BL should be directed to Audrey Bazos of Finance, Administration Unit, at (916) 445-3274 (CNET 485-3274).

/s/ Greg Rogers

Greg Rogers
Assistant Program Budget Manager

Attachments

BL 05-25

**EMPLOYER RETIREMENT CONTRIBUTION RATE ADJUSTMENTS
TREATMENT OF BUDGET DOCUMENTS**

A. Planning Estimates (PE)

Section 3.60—Post the totals from the completed Attachment III to PE line 0200 for each applicable item of appropriation as reflected on Attachment IV. These baseline adjustments must be entered for both **current year** and **budget year**. Attachment III will be used by Finance Budget Analysts to update the PE system prior to receiving completed PE worksheets from departments.

B. Schedule 10s

A Budget Executive Order will be prepared to adjust 2005-06 departmental appropriations due to the change in retirement rates. Departments must **manually** post the 2005-06 adjustments listed on Attachment III to their current year Schedule 10s.

Example:

Adjustment per Section 3.60:

Program A or Personal Services	\$XXX
Program B or OE&E	\$XXX
Reimbursements	<u>-\$XXX</u>
Total	\$XXX

BL 05-25

C. Detail of Appropriations and Adjustments (RWA)

Adjustments per Control Section 3.60 will be displayed in the automated RWA on the line entitled "Adjustment per Section 3.60," based on the adjustments posted on the department's Schedule 10s.

Example:

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS (RECONCILIATION WITH APPROPRIATIONS)				
1 STATE OPERATIONS				
0001 General Fund				
	2004-05	2005-06	2006-07	
APPROPRIATIONS				
001 Budget Act appropriation	\$XXX	\$XXX	\$XXX	
Adjustment per Section 3.60	<u>XX</u>	<u>XX</u>	<u>--</u>	
Totals Available	\$XXX	\$XXX	\$XXX	
Unexpended balance, estimated savings	<u>-X</u>	<u>--</u>	<u>--</u>	
TOTALS, EXPENDITURES	\$XXX	\$XXX	\$XXX	